

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMEMBASSY ISLAMABAD

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LIMDIS

E.O. 11652: N/A

TAGS: PFOR, IN, US

SUBJ: AMBASSADOR KAUL'S MEETING WITH SISCO

1. SUMMARY: AMB KAUL CALLED ON ASSISTANT SECRETARY SISCO JULY 10 AT LATTER'S REQUEST. RAMAKRISHNA, VERMA, MACDONALD, REES AND LAINGEN SAT IN. SISCO BRIEFED KAUL ON MIDDLE EAST ASPECTS US-SOVIET SUMMIT. ON BILATERAL RELATIONS, SISCO SAID US HOPED HAVE CONTINUING FRANK DISCUSSIONS ON VARIETY ISSUES. AMONG THEM WERE ELEMENTS AFFECTING PAST AND POSSIBLE FUTURE AID RELATIONSHIP, PARTICULARLY INDIAN PUBLIC POSTURE THAT US AID HAD SOMEHOW BEEN HARMFUL TO THEIR INTERESTS. AMB MOYNIHAN WOULD BE FOLLOWING UP IN GREATER DETAIL. KAUL FELT GOI POSITION ALREADY CLEAR. URGED GREATER US FOREBEARANCE ON ALLEGED CRITICISM. KAUL
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ALSO CRITICAL OF US POSITION IN CONSORTIUM ON NON-CONSORTIUM PORTION INDIAN DEBT. END SUMMARY.

2. SISCO TOLD KAUL HE HOPED THIS WOULD BE FIRST OF MANY

SUBSTANTIVE DISCUSSIONS BETWEEN THE TWO OF THEM- PRO-
CEEDED TO BRIEF KAUL ON SUMMIT DISCUSSIONS ON MIDDLE EAST.
COMMUNIQUE PRETTY MUCH REFLECTED DISCUSSION WHICH HAD
BEEN THOROUGH, BUT WITH NO MEETING OF MINDS. US FELT THAT
SETTLEMENT COULD ONLY BE FOUND THROUGH NEGOTIATIONS; SISCO
DREW ANALOGY WITH SIMLA PROCESS, SAYING THAT SPIRIT AND
ATMOSPHERE OF THAT PROCESS WAS NEEDED IN MIDDLE EAST. IN
RESPONSE SERIES OF QUESTIONS BY KAUL, SISCO SAID US WILL

CONTINUE DETERMINED EFFORTS FIND KEY TO TALKS, WHICH WOULD
HAVE TO BE INDIRECT AT OUTSET BUT WHICH MIGHT HOPEFULLY
RESULT IN STEP-BY-STEP PROCESS LEADING TO OVERALL SETTLE-
MENT. PRESSED FURTHER AS TO US POSITION ON SPECIFIC
ASPECTS OF PROBLEM, SISCO SAID WE OF COURSE HAD IDEAS OF
OUR OWN BUT WERE NOT INJECTING OURSELVES BEYOND BEING
PREPARED TO BE HELPFUL IF ASKED. SISCO CONFIRMED THAT
COMMUNIQUE REFERENCE TO LEGITIMATE INTERESTS OF
PALESTINIANS REFLECTED VIEW THAT NO SETTLEMENT POSSIBLE
WITHOUT FOCUS ON LEGITIMATE INTERESTS OF ALL CONCERNED.
EMPHASIZED, HOWEVER, THAT US HAD NOT OPTED FOR ONE
SOLUTION AS DISTINCT FROM ANOTHER ON PALESTINIAN QUESTION.
WHILE SISCO DID NOT HAVE FULL REPORT, HE DID NOT HAVE
IMPRESSION THAT SOUTH ASIA HAD BEEN SUBJECT OF PARTICULAR
FOCUS DURING SUMMIT.

3. ON US-GOI ECONOMIC MATTERS, SISCO SAID WE LOOKED
FORWARD TO FRANK EXCHANGE ON OVERALL RELATIONSHIP, IN
WHICH ANY POSSIBLE FUTURE AID WAS ONLY ONE PART. BULK
OF SUCH TALKS WOULD BE IN DELHI; E.G., WE HAD JUST
AUTHORIZED MOYNIHAN PREVIOUS DAY TO BEGIN NEGOTIATIONS ON
RUPEE ISSUE. AS FOR AID, WE HAD SAID AT PARIS CONSORTIUM
WE WOULD WANT TO HAVE TALKS WITH INDIANS. SEVERAL POINTS
NEEDED TO BE LOOKED AT, PARTICULARLY THE PARADOX OF INDIA'S
ACCEPTING US AID AND INDEED TAKING IT FOR GRANTED WHILE
AT THE SAME TIME COMPLAINING IT WAS IN SOME WAY DETRIMENTAL
TO INDIA'S INTERESTS. SISCO NOTED INDIA HAD USED PHRASES
SUCH AS "INTRUSIVE" IN REFERRING TO US AID.

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4. LATEST EXAMPLE OF THIS WAS MRS. GANDHI'S CRITICAL
AND FACTUALLY INCORRECT COMMENTS IN CANADA ON US AID
WHICH HAD PROMPTED MOYNIHAN TO GIVE MEMO TO P. N. DHAR
SETTING RECORD STRAIGHT (SISCO GAVE KAUL COPY OF MEMO AS
CONTAINED DELHI 7992).

5. SISCO WENT ON SAYING US SINCERELY INTERESTED IN
GENERAL IMPROVEMENT IN OUR RELATIONS WITH INDIA. WE DID
NOT EXCLUDE POSSIBILITY OF AID ROLE IN THAT PROCESS BUT
OBVIOUSLY CRITICAL STATEMENTS OF THIS KIND NOT COMPATIBLE
WITH AID RELATIONSHIP. SENTIMENTS IN CONGRESS AND AMONG
US PUBLIC ON AID IN GENERAL WERE SUCH THAT IF COUNTRIES

FOUND OUR AID INTRUSIVE OR NOT IN MUTUAL INTEREST, THEN THERE WOULD BE NO AID. SISCO DESCRIBED THIS AS "NEW REALITY" IN US ON FOREIGN AID GENERALLY AND RELATING TO INDIA SPECIFICALLY AND GOI MUST RECOGNIZE THIS.

6. KAUL RESPONDED BY READING EXCERPT FROM ARTICLES ON AID IN JUNE 1973 SPAN AND IN HAMILTON SUBCOMMITTEE

REPORT, BOTH OF WHICH HE DESCRIBED AS "HEALTHY AND HELPFUL" APPROACH TO FOREIGN AID. INDIA WANTED TO BE SELF RELIANT BUT COULD NOT ACHIEVE THIS OVERNIGHT. SO FAR AS INDIA'S NEEDS CONCERNED, GOAL OF ZERO NET AID BY END OF FIFTH PLAN DID NOT MEAN NO AID; HELP IN SUCH AREAS AS DEBT WOULD CONTINUE BE NECESSARY. AS FOR STATEMENT BY MRS. GANDHI IN CANADA, THIS SHOULD BE SEEN IN HISTORICAL CONTEXT. CLAIMED THERE HAD BEEN CONSIDERABLE PREJUDICE IN WEST AGAINST AID TO INDIAN PUBLIC SECTOR BUT STATEMENT NOT DIRECTED SOLELY AT US.

7. INDIA RECOGNIZED "NEW REALITY" RE AID BUT KAUL SAID HAMILTON SUBCOMMITTEE REPORT INDICATED THAT ATTITUDES ON HILL NOT DIRECTED ONLY AT INDIA. US SHOULD NOT BE "SO TOUCHY" ON AID MATTERS. KAUL URGED GREATER UNDERSTANDING ON BOTH SIDES. THAT SPIRIT SHOULD BE BASIS FOR US-INDIA BILATERAL TIES.

8. SISCO SAID WE COULD EASILY ACCEPT THAT VIEWPOINT BUT INDIA MUST TAKE INTO CAREFUL ACCOUNT THE IMPRESSIONS LIMITED OFFICIAL USE
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IN US THAT PAST INDIAN STATEMENTS AND ATTITUDES ON US AID HAD MADE. THIS AND OTHER MATTERS NEEDED TO BE THRASHED OUT FRANKLY BETWEEN US, AND MOYNIHAN WOULD BE TRYING TO DO THAT FROM OUR SIDE IN DELHI. BOTH SIDES NEEDED TO DEMONSTRATE THEY SEEK TO AVOID PAST MISUNDERSTANDING/ MISCONCEPTIONS AS THESE TALKS EVOLVE. KAUL SAID HE FOUND IT DIFFICULT SEE WHAT FURTHER WAS EXPECTED OF INDIA. IF THERE WAS STILL DOUBT, IT MUST BE ON US SIDE. INDIA WAS READY TO GO AHEAD. KAUL NOTED WHAT PRESIDENT HAD SAID TO HIM DURING CREDENTIALS PRESENTATION ABOUT MOVING STEP-BY-STEP TOWARD BETTER RELATIONS. HE WONDERED WHETHER WHAT SISCO WAS SAYING WAS CONSISTENT WITH THIS.

9. SISCO SAID HIS COMMENTS FULLY CONSISTENT, NOTING PARTICULARLY WHAT HE HAD TOLD KAUL AT START OF CONVERSATION ABOUT READINESS BEGIN RUPEE TALKS. US NOT TRYING TO LAY DOWN PRECONDITIONS. OUR INTEREST IS IN A GOOD RELATIONSHIP WITH INDIA, BUT KAUL SHOULD UNDERSTAND THAT THIS MUST BE A RELATIONSHIP IN BROADEST SENSE BETWEEN TWO SOVEREIGN AND EQUAL COUNTRIES. INDIA SHOULD TAKE ACCOUNT OF US SENSITIVITIES AND VIEWS, JUST AS WE WERE READY TO DO IN CASE OF INDIA. OUR RELATIONS MUST BE BASED ON

MUTUAL INTEREST AND UNDERSTANDING; TOO OFTEN IN PAST OUR AID TOOK ON EARMARKS OF AUTOMATICITY.

10. DURING CONVERSATION KAUL REFERRED TO PARIS CONSORTIUM MEETING AND SAID HE WANTED TO EXPRESS "NOTE OF WARNING" AS TO EFFECT OF DELAY IN US INDICATING ROLE IT INTENDED TO PLAY. THE SOONER THE US INDICATED ITS AMOUNT OF SUPPORT, THE BETTER. WITHOUT IT "MISCONCEPTION THAT US

IS ARM-TWISTING" COULD ARISE AND WHOLE CONSORTIUM PROCEDURE COULD BE DELAYED. SISCO AND MACDONALD NOTED THAT PARIS MEETING HAD GONE WELL AND THAT PLEDGES HAD BEEN SUBSTANTIAL DESPITE US INDICATION IT NOT YET PREPARED INDICATE A PLEDGE. US POSITION APPEARED NOT TO HAVE DETERRED OTHERS. KAUL RESPONDED THAT THIS MIGHT HAVE BEEN THE CASE BUT CERTAINLY THERE HAD BEEN UNHELPFUL IMPACT FROM US POSITION DURING DEBT RESCHEDULING DISCUSSION THAT DEBT RESCHEDULING MUST BE SUBJECT TO PARALLEL ACTION ON PART OF NON-CONSORTIUM COUNTRIES. KAUL APPEARED TO SEE US AS MINORITY IN THIS VIEW AND SAID IT "GROSSLY UNFAIR" TO LIMITED OFFICIAL USE
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TIE UP DEBT RELIEF BY CONSORTIUM BECAUSE OF ALLEGED DEBT PROBLEMS INVOLVING NON-CONSORTIUM MEMBERS. MACDONALD EMPHASIZED THAT US VIEW ON THIS ASPECT OF DEBT RELIEF BROADLY SHARED WITHIN CONSORTIUM; VIEWS OF OTHER CREDITORS WERE AS STRONG AS OURS THAT IT WAS UNFAIR THAT CONSORTIUM MEMBERS SHOULD BE ASKED IN EFFECT TO HELP FINANCE THE FLOW OF RESOURCES OUT OF INDIA IN FAVOR NON-CONSORTIUM COUNTRIES. THIS ISSUE SHOULD BE SEEN IN ITS PROPER PERSPECTIVE OF WELL ESTABLISHED APPROACH TO DEBT RESCHEDULING WHERE ONE COUNTRY SHOULD BE EXPECTED TO APPLY SAME STANDARDS AS OTHERS. BANK NOW HAS ENTIRE MATTER UNDER ACTIVE CONSIDERATION; WE NOT AWARE OF EXACT STATUS BUT UNDERSTAND BANK WOULD BE REPORTING VIEWS TO MEMBERS SHORTLY.

11. COMMENT: SESSION PRETTY MUCH CHARACTERIZED BY KAUL'S PARTING SHOT: "YOU'VE EXPRESSED YOUR POINT OF VIEW AND I'VE EXPRESSED MINE. LET'S HOPE THEY CONVERGE." CLEARLY THIS WAS NOT FULLY SATISFACTORY SESSION AND DEPARTMENT NOW LOOKS TO AMB MOYNIHAN TO CARRY ON THIS EXCHANGE AT APPROPRIATE LEVELS GOI IN CONTINUING EFFORT TO SEE WHETHER BASIS EXISTS FOR ANY KIND OF FUTURE AID RELATIONSHIP. ROGERS

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